Wisconsin Department of Revenue
Division of Research and Policy
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EXPENDITURE RESTRAINT PAYMENT

The expenditure restraint payment (ERP) provides unrestricted aid to qualifying municipalities that limit growth in spending. The payment is in addition to aid paid under the county and municipal aid program. Counties do not qualify for payments under this program.

Originally called the tax rate disparity program, the ERP program was enacted in 1990 in response to criticism that the state shared revenue program for municipalities encouraged municipalities to increase spending (at the time, aid payments were partially dependent on spending). The ERP payment was meant to break this connection by targeting aid to high-tax rate communities that restrain spending growth.

A municipality originally qualified for the payment if its municipal-purpose tax rate was greater than the state average municipal tax rate, its equalized value per capita was less than 120% of the state average, and its operating budget had grown by no more than inflation plus 3%.

In 1994, the equalized value per capita limitation was removed, the qualifying tax rate was set at five mills, and the operating budget restraint was replaced with a general fund restraint. Municipalities now qualify for a payment if their municipal-purpose tax rate is in excess of five mills and if they limit their general fund budget increase to no more than inflation plus a growth factor.

Since 2003, funding for the program has been set at $58,145,700.

Eligibility

A municipality qualifies for an ERP payment if it meets the following two conditions:

1. *Municipal-purpose property tax rate*: The property tax rate must be at least five mills. The tax rate is calculated by dividing the total levy for municipal purposes excluding tax incremental finance (TIF) levies by the total equalized value excluding TIF incremental value.

2. *Municipal budget*: Its municipal budget for the year before payment has not increased over the prior year's budget by more than an "inflation factor" plus a "valuation factor".

   "Municipal budget" equals general fund expenditures excluding principal and interest on long-term debt, recycling fees paid for solid waste disposal, revenues shared with other local governments under local revenue sharing agreements, expenditures funded by monies from the American Recovery and Reinvestment Act of 2009 (P. L. 111-5), and unreimbursed expenditures related to an emergency declared by the Governor. An adjustment to the municipal budget is also made for the cost of any service transferred to or from another governmental entity.

   The "inflation factor" equals the average annual percentage change in the U.S. consumer price index for all urban consumers as determined by the U. S. Department of Labor for the 12-month period from October 1 to September 30 prior to the year for which the municipal budget is determined. (For the 2010 and 2011 budgets, for purposes of determining eligibility for payments in 2011 and 2012, respectively, the "inflation factor" may not be less than 3.00%.)

The "valuation factor" equals 60% of the percentage change in the municipality's equalized value due to net new construction (new improvements minus improvements removed), but no more than 2% and no less than 0%.

Payments

Payments are made on the 4th Monday in July. A qualifying municipality's payment is calculated as follows:

a. Subtract 5 mills from the municipal-purpose property tax rate.
b. Multiply the amount from (a) by the municipality's equalized value including TIF incremental value.
c. Divide the amount in (b) by the state total for all the amounts calculated in (b).
d. Multiply the amount in (c) by the funds appropriated for the ERP payment.

A sample calculation of the payment is shown in the Appendix.

Payments in 2011

A municipality qualified for a payment in 2011 if its municipal-purpose property tax rate for 2009 (payable 2010) exceeded 5 mills and its municipal budget for 2010 increased over its municipal budget for 2009 by less than 3.0% (the "inflation factor", set at the minimum rate of 3.0% because the actual rate of inflation for the 12-month period ending September 30, 2009 was -0.3%) plus its "valuation factor" (based on net new construction during 2008 for purposes of establishing 2009 equalized values).

Of the 388 municipalities whose 2009/10 municipal-purpose tax rate exceeded 5 mills, the revised estimate (issued by DOR in September 2010) showed that payments in 2011 will be distributed to 321 municipalities, as follows: 15 towns ($176,545), 153 villages ($5,017,072) and 153 cities ($52,952,082). Final adjustments, if needed, will be made in November 2012. Of the 321 municipalities eligible for 2011 payments, 276 were eligible and 45 were not eligible for payments in 2010. There were 44 municipalities eligible for payments in 2010 did not qualify for payments in 2011.

Payments in 2012

A municipality qualified for a payment in 2012 if its municipal-purpose property tax rate for 2010 (payable 2011) exceeded 5 mills and its municipal budget for 2011 increased over its municipal budget for 2010 by less than 3.0% (the "inflation factor", set at the minimum rate of 3.0% because the actual rate of inflation for the 12-month period ending September 30, 2010 was 1.7%) plus its "valuation factor" (based on net new construction during 2009 for purposes of establishing 2010 equalized values).

Of the 418 municipalities whose 2010/11 municipal-purpose tax rate exceeded 5 mills, the original estimate (issued by DOR in September 2011) showed that payments in 2012 will be distributed to 337 municipalities, as follows: 18 towns ($176,312), 159 villages ($5,034,772) and 160 cities ($52,934,613). Initial adjustments will be made in November 2012, and final adjustments will be made in November 2013. Of the 337 municipalities eligible for 2012 payments, 276 were eligible and 61 were not eligible for payments in 2011. There were 45 municipalities eligible for payments in 2011 did not qualify for payments in 2012.

Table 1 shows the 20 municipalities with the largest expenditure restraint payments in 2011 and 2012. Table 2 shows expenditure restraint payments by town, village, and city since 1994.

TABLE 1
MUNICIPALITIES WITH LARGEST EXPENDITURE RESTRAINT PAYMENTS:
2011(Revised Estimate) and 2012 (Original Estimate)

Municipality	2011 Payment	Municipality	2012 Payment
Milwaukee	$ 8,596,306	Milwaukee	$ 8,316,164
Madison	6,083,696	Madison	6,305,584
Racine	2,652,166	Kenosha	2,538,337
Kenosha	2,439,438	Racine	2,481,056
Waukesha	2,176,463	Waukesha	2,045,567
Green Bay	2,103,537	Green Bay	1,998,670
La Crosse	2,050,993	La Crosse	1,859,028
West Allis	1,612,374	West Allis	1,627,054
Appleton	1,354,897	Appleton	1,222,454
Oshkosh	1,196,054	Eau Claire	1,168,317
Eau Claire	1,112,585	Oshkosh	1,137,104
Wauwatosa	953,040	Wauwatosa	964,075
Wausau	901,115	Wausau	853,965
Sheboygan	826,718	Janesville	833,603
West Bend	767,263	Sheboygan	809,163
Janesville	745,211	West Bend	746,903
Sun Prairie	667,571	Sun Prairie	658,327
Beloit	615,197	Beloit	655,729
Neenah	605,180	Fond du Lac	610,065
Wisconsin Rapids	599,871	Neenah	593,457
Total of Above	38,059,676	Total of Above	37,422,622
Total – all	58,145,700	Total – all	58,145,700
% to Top 20	65.46%	% to Top 20	64.36%

TABLE 2
EXPENDITURE RESTRAINT PAYMENT, 1994 – 2012

	Towns		Villages		Cities		State Total	
Year	Recipients	Payment	Recipients	Payment	Recipients	Payment	Recipients	Payment
1994	65	$310,721	82	$1,976,087	93	$39,713,191	240	42,000,000
1995	37	213,452	95	3,529,755	117	44,256,792	249	48,000,000
1996	40	307,119	95	3,362,561	119	44,330,319	254	48,000,000
1997	58	531,480	138	3,939,556	116	43,528,963	312	48,000,000
1998	49	537,612	112	3,788,113	128	43,674,274	289	48,000,000
1999	47	570,785	110	3,916,732	135	43,512,482	292	48,000,000
2000	42	609,629	104	4,682,275	135	51,708,094	281	57,000,000
2001	30	844,429	105	5,019,086	135	51,136,483	270	57,000,000
2002	39	768,297	128	5,147,973	136	51,653,728	303	57,570,000
2003	30	724,827	122	4,985,806	144	52,435,065	296	58,145,700
2004	27	420,325	134	5,482,828	145	52,242,546	306	58,145,700
2005	33	461,094	152	5,198,193	152	52,486,411	337	58,145,700
2006	36	239,473	133	5,338,424	146	52,567,801	315	58,145,700
2007	24	144,689	147	4,869,596	153	53,104,414	324	58,145,700
2008	27	178,396	136	4,817,503	154	53,149,799	324	58,145,700
2009	13	146,056	120	4,352,872	141	53,646,770	274	58,145,700
2010	14	138,517	149	4,876,499	157	53,130,682	320	58,145,700
2011	15	176,545	153	5,017,072	153	52,952,081	321	58,145,700
2012	18	176,312	159	5,034,772	160	52,934,613	337	58,145,700

APPENDIX

The following example is based on data used to calculate the estimated expenditure restraint payments for 2012 that were mailed to municipalities on September 15, 2011.

CALCULATION OF EXPEDITURE RESTRAINT PAYMENT FOR 2012
FOR THE CITY OF WAUSAU

Step 1: Subtract 5 mills from the municipal purpose tax rate		
Municipal purpose tax levy for 2010/11: This is the total municipal levy excluding any tax incremental finance (TIF) district incremental levies	(A)	$ 21,462,314.00
Equalized value (excluding TIF incremental value)	(B)	$ 2,481,831,900
Municipal-purpose property tax rate (A/B)	(C)	0.008647771
Municipal-purpose property tax rate minus 5 mills	(D)	0.003647771
Step 2: Multiply the levy in excess of 5 mills by the "TIF in" equalized value		
Equalized value (including TIF incremental value)	(E)	$ 2,681,223,200
Total municipal levy in excess of 5 mills (including portion of TIF incremental tax levy attributable to the municipal-purpose tax levy) (D * E)	(F)	9,780,488
Step 3: Divide the above amount by the state total		
Statewide total of municipal levies in excess of 5 mills for all municipalities qualifying for an expenditure restraint payment	(G)	665,944,500
Wausau's share of the state total (F/G)	(H)	0.014686641
Step 4: Multiply the above amount by the total funds appropriated		
Amount appropriated for expenditure restraint payments in 2012	(I)	$ 58,145,700
Amount payable to the City of Wausau (H * I)	(J)	$ 853,965